

# **South Carolina Retirement Systems**

## **Customer Refund Claims**

**Customer Training Module**

# **Disclaimer**

**THIS PRESENTATION DOES NOT CREATE AN EXPRESS OR IMPLIED CONTRACT OF EMPLOYMENT WITH A MEMBER OF THE SOUTH CAROLINA RETIREMENT SYSTEMS.**

**This presentation is meant to serve as a guide but does not constitute a binding representation of the South Carolina Retirement Systems. The statutes governing the South Carolina Retirement Systems are found in Title 9 of the South Carolina Code of Laws, and should there be any conflict between this presentation and the statutes or Retirement Systems' policies, the statutes and policies will prevail.**

**Employers covered by the South Carolina Retirement Systems are not agents of the Retirement Systems.**

***Duplication of this presentation, either in part or in whole, is forbidden without the express written permission of the South Carolina Retirement Systems.***

# **Refund Claims**

- **Background**
- **Processing a refund claim**
- **Payment options available**
- **Tax information**

# **90-Day Waiting Period**

**Section 9-1-1650 (SCRS)**

**Section 9-11-100 (PORS)**

**If a member terminates employment with an employer covered by the Retirement Systems except by death or retirement, the member must be paid within six months of the member's demand for payment, but not less than 90 days after ceasing to be a teacher or employee, the sum of the member's contributions and accumulated regular interest on the contributions.**

# **State Optional Retirement Program (State ORP) Participant**

- **A State ORP participant must contact his or her State ORP vendor to withdraw State ORP funds – the Retirement Systems does not process these requests**

# Refund Considerations

- The 90 day waiting period is applied by statute, please do not wait 90 days after termination to send in employer paperwork
- A refund of contributions and interest will cancel all service credit or retirement benefits
- Refund request is canceled if member returns to (SCRS or PORS) covered employment prior to receiving refund payment
- Non-election of membership cannot be selected while funds are on deposit
- After refund is received, member may return to covered employment and re-establish service credit by paying back refund amount plus interest to date

# **No Hardship Withdrawals**

**An active, contributing member may not, under any circumstances, withdraw or borrow funds from an active retirement account.**

**No Exceptions!**

# **Applying for a Refund**

## ***Member Information***

- **Member must terminate all covered employment, [must not work in any capacity for an employer who has Retirement coverage SCRS or PORS ].**
- **A substitute teacher must remove his or her name from the list of available substitutes.**
- **A member who wishes to receive a refund may not maintain any ongoing employment relationship with a covered employer until the refund is received.**



# **Applying for a Refund**

## ***Member Information***

- **Member must complete/submit Form 4101**
- **Form 4101 must be signed and notarized**
- **Member must provide copy of driver's license or state-issued ID card**
- **Member should read Form 4101 to fully understand any tax liability, as well as, waiting period**

**Form 4101**  
***Refund Request***

Form 4101 Revised 03/03/2005 Page 1 <b>PRINT OR TYPE IN INK</b>		<b>REFUND REQUEST</b> State Budget and Control Board, South Carolina Retirement Systems Customer Service Refund Claims Box 11960, Columbia, SC 29211-1960		<b>CHECK ONE:</b> <input checked="" type="checkbox"/> SC Retirement System <input type="checkbox"/> Police Officers Retirement System	
<b>Section I MEMBER / ALTERNATE PAYEE INFORMATION</b>					
Last Name & Suffix DOE		First/Middle Name JOHN		Date of Birth 10/23/1962	Social Security Number 000-00-0000
Mailing Address 1 MAIN STREET				Former/Maiden Name (if applicable)	
City COLUMBIA		State SC	ZIP+4 29229	Telephone Number 803-123-4567	
<input type="checkbox"/> Check here if you are the alternate payee under a Qualified Domestic Relations Order (Member SSN _____)					
I do hereby apply for a refund of the total amount of contributions plus interest credited to me in the above-checked Retirement System. I understand that upon payment of such amount I do hereby waive for myself, my heirs, and assigns all my rights, title, and interest in any fund under the care and control of this Retirement System. I also understand that by receiving a refund that I am forfeiting my service credit and giving up all rights to any future service retirement or disability retirement benefits. I further understand that my refund request will be canceled if I return to employment covered by the Retirement Systems prior to payment of my refund. This includes any employment for which I am eligible to join the SC Retirement System, the Police Officers Retirement System, or the State Optional Retirement Program. NOTE: The Retirement Act states that refunds are payable within 6 months after demand, but not less than 90 days after termination of employment. All required paperwork must be received from the member and the employer before a refund can be paid.					
I terminated from <u>ANY EMPLOYER</u> on <u>7/1/2005</u> <div style="text-align: right;">Employer _____ Date _____</div>					
<b>Section II For your refund payout, please select ONE of the payment methods below. (See page 2 for detailed explanation.)</b>					
<input type="checkbox"/> <b>Lump-Sum Payment</b> Pay the total refund amount (less required federal tax withholding) directly to me.		<input type="checkbox"/> <b>Direct Rollover</b> Rollover the taxable portion of my refund to the trustee/plan named below. The portion you rollover will not be taxed until you take it out of the eligible plan. (Information must be provided in Section III)		<input checked="" type="checkbox"/> <b>Partial Rollover</b> Rollover the Partial Amount of \$ <u>150.00</u> to the trustee/plan named below. Pay the remaining balance directly to me in a lump-sum payment. (Information must be provided in Section III)	
<b>Section III COMPLETE THIS SECTION IF YOU SELECTED A DIRECT OR PARTIAL ROLLOVER ABOVE.</b>					
Account Number With Trustee/Plan (Limit to 25 characters) 000-00-0000 Name of Trustee/Plan <u>ACME RETIREMENT PLAN</u> P.O. Box or Street Address P.O. BOX 1101 City <u>COLUMBIA</u> State <u>SC</u> Zip + 4 <u>29223</u>				<b>Account Types Available</b> (Check only ONE box) <input type="checkbox"/> IRA <input type="checkbox"/> Annuity Plan - 403(b) <input checked="" type="checkbox"/> Qualified Plan - 401(k) or 401(a) <input type="checkbox"/> Other-see instructions on page 2 Specify Plan Name _____	
You must attach a legible copy of your current driver's license or special identification card issued by your State Department of Transportation or Public Safety.					
Please read all information on page 2 before signing this form in BLUE INK. I hereby certify I have read and understand the information on this form, including the tax rules, and I agree to the terms stated.					
MEMBER'S OR ALTERNATE PAYEE'S SIGNATURE _____				Date: _____	
(Certified copy of legal authorization required with signature other than applicant's)					
WITNESS _____				Date: _____	
(Required only when signed by a mark)					
STATE OF _____				COUNTY OF _____	
ACKNOWLEDGED BEFORE ME THIS DATE _____				NOTARY NAME _____	
(Please print)					
MY COMMISSION EXPIRES _____				NOTARY SIGNATURE _____	
NOTARY BUSINESS PHONE _____					
Please call SC Retirement Systems Customer Service with any questions: 1-800-868-8002 (in state) or 803-737-6800 <b>THE LANGUAGE USED IN THIS DOCUMENT DOES NOT CREATE ANY CONTRACTUAL RIGHTS OR ENTITLEMENTS AND DOES NOT CREATE A CONTRACT BETWEEN THE MEMBER AND THE SOUTH CAROLINA RETIREMENT SYSTEMS. THE SOUTH CAROLINA RETIREMENT SYSTEMS RESERVES THE RIGHT TO REVISE THE CONTENT OF THIS DOCUMENT.</b>					

**When you receive a refund you forfeit your retirement service credit and give up rights to any future service retirement or disability retirement benefits.** If you return to work for an employer covered by the Retirement Systems after receiving your refund check and rejoin the system, you may request to pay back with interest your withdrawn (refunded) member contributions and interest. When you leave the funds in your retirement account, you retain your years of service credit, which may be added to any future service you may accrue, should you later be employed in a position covered by the Retirement Systems. If you have 5 or more years of service credit and you choose to leave these funds in the Retirement Systems, you will be entitled to a monthly benefit for life at retirement (age 60 or age 55 with 25 years of service under SCRS or age 55 under PORS). If you joined the Retirement Systems on or after January 1, 2001, you must have a minimum of 5 years of earned (not purchased) service credit to receive a monthly benefit. Should you choose a refund, there are some important tax consequences (see below and IRS Publication 575, available at [www.irs.gov](http://www.irs.gov)).

### **SPECIAL TAX RULES**

This payment from the South Carolina Retirement Systems is classified as a Qualified Total Distribution under Internal Revenue Code Section 401(a) and will be reported to the Internal Revenue Service on Form 1099R. This distribution may consist of both taxable and nontaxable income.

#### **Rollover**

A rollover is a tax-free transfer from one retirement plan to another. If you are the retirement plan participant, or if you are the former spouse of the participant and an acceptable Qualified Domestic Relations Order (QDRO) exists, the taxable portion of the refund is eligible for rollover to an IRA, 403(b) plan, 457 plan, 401(k) plan, or other 401(a) plan (an "eligible" plan). You may elect to rollover all or any part of the taxable portion of your refund. The portion rolled over will not be taxed until you take it out of the eligible plan.

A rollover may be accomplished by: 1) a direct transfer by the South Carolina Retirement Systems on your behalf to an eligible plan; or 2) a rollover by you to an eligible plan within sixty (60) days of receipt of the distribution. **ANY AMOUNT ELIGIBLE FOR ROLLOVER NOT DIRECTLY TRANSFERRED BY THE SOUTH CAROLINA RETIREMENT SYSTEMS TO AN ELIGIBLE PLAN MUST HAVE FEDERAL TAXES WITHHELD AT A RATE OF TWENTY PERCENT (20%).** If you do not choose a direct transfer, you can still decide to rollover all or part of the taxable portion of your refund within 60 days of receipt of the distribution. However, you must find other money to replace the 20% withheld if you want to rollover 100% of the taxable portion of your refund.

A rollover from the Retirement Systems 401(a) plan is not allowed into the South Carolina 457 Deferred Compensation Plan. If you intend to roll over funds from the Retirement Systems 401(a) plan into a governmental 457 plan other than the South Carolina 457 Deferred Compensation Plan, verify with that Plan Administrator that the 457 plan accepts rollovers. If it does accept rollovers from the Retirement Systems 401(a) plan, check the "Other" box and provide the plan name.

#### **Under Age 59 1/2 and Do Not Elect Rollover**

If you do not take advantage of a rollover as indicated above and are under the age of 59 1/2 at the time of distribution, your distribution will be subject to regular income tax in the year you receive the payment, plus **THERE WILL BE A 10% PENALTY TAX ON THE TAXABLE PORTION OF YOUR DISTRIBUTION.** The 10% penalty tax will be due when your income tax return is filed. This tax penalty does not apply to distributions due to death, disability, separation from service in or after the year in which you reach age 55, or distribution pursuant to a QDRO--see Special Tax Rules in IRS Publication 575 and IRS Form 5329 for more information on this tax penalty.

#### **Born Before 1936 and Do Not Elect Rollover**

If you were born before 1936, the ordinary income portion of your distribution may be eligible for 10-year averaging based on the tax rates in effect in the year of distribution, and the capital gains portion may be taxed as a long-term capital gain at a rate of 20%. Averaging often reduces the tax you owe because it treats the payment as if it were paid out over 10 years.

This special tax treatment discussed above requires that your refund must be a lump-sum distribution. A distribution cannot be treated as a lump-sum distribution unless you have been a plan participant for at least 5 years preceding the tax year in which the distribution was received. The 5-year participation requirement does not apply if this refund is made to the beneficiary or estate on account of the participant's death. You may elect to use the special tax treatment for income averaging and capital gains only once per employee, and the election applies to all lump-sum distributions you received in that year. This election is made by completing Form 4972 with your annual income tax return.

#### **Withholding**

A taxable distribution eligible for rollover but paid directly to you will generally be subject to an automatic federal withholding rate of 20%.

#### **South Carolina Income Taxes**

The taxable portion of this refund will be subject to South Carolina income taxes in the year in which you receive your refund. The above federal provisions (except for the additional 10% penalty tax and the mandatory 20% withholding) also apply in computing South Carolina income taxes.

The tax laws are complex and always changing. You should consult your personal tax advisor with regard to the application of all federal and state taxes on benefits received from the South Carolina Retirement Systems.

Please notify us, in writing, should your address change prior to the payment of your refund or prior to the receipt of your 1099R. For tax reporting purposes, 1099Rs are mailed no later than January 31 each year for the previous calendar year's refund. If you return to work for an employer covered by the Retirement Systems prior to receiving your refund check, your refund request will be canceled.

**Form 4201**

***Certification of Final  
Retirement  
Deductions***

# **Employer**

## **Form 4201**

### ***Certification of Final Retirement Deductions***

**Do not delay submitting Form 4201  
until the end of the waiting period**

**Return completed Form 4201 within 10  
business days of its receipt**

4201  
12/03

**SOUTH CAROLINA RETIREMENT SYSTEMS  
CERTIFICATION OF FINAL RETIREMENT DEDUCTIONS**

REFUND  
AUG 5, 2005

Member identified on this form has requested a refund of his/her retirement contributions. Please complete all three parts of this form and return the form to Customer Service Refund Claims within 10 business days. You may also fax completed form to our attention at 803-737-7752. Your prompt response will allow us to efficiently process the member's refund claim.

AUTHORIZED REPRESENTATIVE  
EXEC DIR OF FIN SERVICES  
ANY EMPLOYER  
1 MAIN STREET  
COLUMBIA, SC 29223

SSN: 000-00-0000  
System: SCRS  
Emp Code: 000.00  
**John Doe**

**SECTION 1: Final Quarters of Compensation (as they will appear on your Quarterly Reports)**

For each member, the contribution and wages/leave from your most recent Quarterly Report are shown below. Please provide this information to ensure that it is correct. If any information below is not correct, please strike through it, and provide the correct information for that quarter, and initial and date your correction. We also ask that you provide the contributions and wages/leave for any subsequent quarters of the member's employment. Please be certain that the information you provide in Section 1 is consistent with the information you provide in Section 2.

Quarter Begin Date	Quarter End Date	Contribution	Wages/Leave
01/2005	06/30/2005	\$336.80	\$5,181.55
01/2005	09/30/2005	\$137.93	\$2,122.02
01/2005	12/31/2005	_____	_____

When reporting contributions and wages/leave, please include any payments the employee has received for unused annual leave. Do not estimate any amounts. The Retirement Systems will refund the member's contributions based on the information you provide.

**SECTION 2: Last Day Employee Earned Compensation**

Final Paycheck	<u>07/15/2005</u>
Last Day Employee Earned Compensation	<u>06/15/2005</u>
Final Termination (if different from above)	<u>06/15/2005</u>
Final Annual Leave Days	\$ <u>5.00</u>
Final Annual Leave Payment	\$ <u>437.60</u>
Final Annual Leave Payout Date	<u>07/15/2005</u>

**SECTION 3: Certification**

I certify that the information I have provided above, including any corrections, is true and correct to the best of my knowledge.

9, 2005  
(Date)

Authorized Representative  
(Authorized Signature)

803-123-4567  
(Business Phone/Ext)

803-456-1234  
(Fax Number)

For more information, call SC Retirement Systems Customer Service with any questions: 1-800-868-9002 or 803-737-6800.

4201  
12/03

**SOUTH CAROLINA RETIREMENT SYSTEMS**  
**CERTIFICATION OF FINAL RETIREMENT DEDUCTIONS**

REFUND  
Apr 12, 2006

Member identified on this form has requested a refund of his/her retirement contributions. Please complete this form and return the form to Customer Service Refund Claims within 10 business days. You may also fax the completed form to attention at 803-737-7752. Your prompt response will allow us to efficiently process the member's refund claim.

AUTHORIZED REPRESENTATIVE  
EXEC DIR OF FIN SERVICES  
ANY EMPLOYER  
1 MAIN STREET  
COLUMBIA, SC 29223

SSN: 000-00-0000  
System: SCRS  
Emp Code: 000.01  
**JOHN DOE**

**SECTION 1: Final Quarter of Compensation (as it appeared on your Quarterly Report)**

For this member, the contribution from your most recent Quarterly Report is shown below. We have provided this information to assist you in completing Section 2.

Last Retirement Contribution			Last Known Address
Quarter End Date	Quarter End Date	Contribution	JOHN DOE 516 PARK AVENUE COLUMBIA, SC 29203
----- 1/1998	----- 06/30/1998	----- 77.12	

**SECTION 2: Member Employment Information**

Select the **ONE** item below that most accurately describes your current information about this member:

The above member was an employee but is no longer employed. Our records indicate that this member started employment on \_\_\_/\_\_\_/\_\_\_\_\_. We have maintained contact with this member and it appears probable that the member would request a refund at the address indicated on the form.

The above member was an employee but is no longer employed. Our records indicate that this member started employment on 04/13/1998. We have not, however, had further contact with this member and cannot verify the reasonableness of the requested refund or the address indicated on this form.

We are unable to locate any employment records about this member and cannot verify any of the information indicated on this form.

We have reason to believe that the member has **NOT** requested a refund. Please contact us before making the refund request.

**SECTION 3: Certification**

I certify that the information I have provided above is true and correct to the best of my knowledge.

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Authorized Representative)  
(Authorized Signature)

\_\_\_\_\_  
(Business Phone/Ext)

\_\_\_\_\_  
(Fax Number)

For more information, call SC Retirement Systems Customer Service with any questions: 1-800-868-9002 or 803-737-6800.



4201  
04/05

**SOUTH CAROLINA RETIREMENT SYSTEMS**  
**CERTIFICATION OF FINAL RETIREMENT DEDUCTIONS**

REFUND  
09/01/2005

Member identified on this form has requested a refund of his/her retirement contributions from the South Carolina Retirement Systems. Please complete both sections of this form and return the form to Customer Service Refund Claims within 10 business days. You may also fax the completed form to our attention at 803-737-7752. Your prompt response will allow us to efficiently process the member's refund claim.

AUTHORIZED REPRESENTATIVE  
EXEC DIR OF FIN SERVICES  
ANY EMPLOYER  
1 MAIN STREET  
COLUMBIA, SC 29223

SSN: 000-00-0000  
System: ORP  
Emp Code: 000.01  
JANE DOE

**SECTION 1: Member Employment Information**

If the refund can be paid, the member must terminate all employment covered by the South Carolina Retirement Systems, including active State Optional Retirement Program (ORP) participation. Our records indicate that this member has participated in ORP while on your payroll. Please select the **ONE** item below that most accurately describes your current information about this member:

The above member was an employee but is no longer employed. Our records indicate that this member terminated employment on \_\_\_\_/\_\_\_\_/\_\_\_\_.

The above member is an employee and has not yet terminated employment. We will continue to deduct retirement contributions and forward them to the member's ORP investment provider.

We are unable to locate any employment records about this member and cannot provide any additional information about this member's employment.

**SECTION 2: Certification**

I certify that the information I have provided above is true and correct to the best of my knowledge.

\_\_\_\_\_

(Signature)

(Authorized Signature)

(Business Phone/Ext)

(Fax Number)

For more information, please call SC Retirement Systems Customer Service with any questions: 1-800-868-9002 or 803-737-6800.

# **Correlated Systems (SCRS/PORS/GARS)**

- **A member with both SCRS and PORS or SCRS and State ORP accounts must terminate all covered employment**
- **A member may not withdraw funds from one account while leaving contributions on deposit in the other accounts**

# **Correlated Systems (SCRS/PORS/GARS)**

- **A member may withdraw funds from one account only if he or she is filing for retirement in the correlated system and the service is not necessary to reach eligibility to retire**
- **The SCRS/PORS refund waiting period (90 days) for a correlated system is measured from the most recent termination date in either system**

# **Refund Payment Methods**

- **Lump-sum payment**
- **Direct rollover**
- **Partial rollover**

# **Rollovers**

## **(Tax-Deferred Transfers)**

- **Traditional (not Roth) IRA**
- **Qualified retirement plan – 401(a) or 401(k)**
- **403(b) annuity plan**
- **457 governmental plan\***
- **Rolled over funds are not taxed until taken out of the IRA/retirement plan**

**\*The South Carolina Deferred Compensation Program 457 plan does not accept rollovers from a member's Retirement Systems account.**

# **Taxable Distribution**

- **Pre-tax (deferred) employee contributions made after June 30, 1982**
- **All accrued interest**
- **Any previous rollovers used to purchase service**
- **Pre-tax installment service purchase (available only after December 31, 2004)**

# **Non-Taxable Distribution**

- **Employee contributions made prior to June 30, 1982**
- **Previous after-tax service purchases by personal check or money order**
- **After-tax installment service purchases**

# **Tax Considerations**

- **Mandatory federal tax withholding of 20% on all taxable portion of funds not rolled over**
- **If member is under age 59½ , a 10% penalty tax is due at the time the member's tax return is filed. Some exceptions apply:**
  - **For example, an exception to the 10% penalty tax is if the distribution is due to disability or separation from service in or after the year you reach age 55. Please see a tax advisor for more information.**



# **Tax Considerations**

- **Taxable portion of refund is treated as taxable income when member files state and federal tax returns**
- **Member who initially receives taxable portion of refund has 60 days to roll over all or part of taxable portion**
- **See tax advisor or IRS Web site**

# Questions?